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Q&A-Toughest sanctions on Russia warranted; China reserves criticism as it eyes Taiwan recognition: Andrew Mac, formal advisor to Zelensky



Western nations will need to impose the toughest possible sanctions package on Russia, which could mean targetting the country on energy and cutting it off from the SWIFT global interbank payments system, **Andrew Mac**, a **formal advisor to Ukrainian President Volodymyr Zelensky**, based in Washington, D.C., told the Reuters Global Markets Forum on Thursday, February 24.

"Sanctions matter, and the Russian economy will lose hundreds of billions over a few years," Mac, who is a partner at the Asters law firm, said.

"If that doesn't happen then the U.S. and EU (European Union) will look weak, and (Russian President Vladimir) Putin will literally laugh his way to the bank with higher energy costs."

Mac believes China is reserved in its criticisms of Russia due to its own Taiwan ambitions. "They will need Russian support for that."

Even as political and foreign policy commentators think Russia's invasion of Ukraine is a huge defeat for the Biden administration, Mac said this will be a turning point in relations between the U.S. and EU. "I think that Biden has unified the EU with the U.S. like never before."

He also said that a Ukrainian default is inevitable if fighting lasts a few weeks.

Following are edited excerpts from the conversation:

Q: How do you see the deteriorating situation in the Russia-Ukraine crisis playing out?

A: Unfortunately, it's the worst-case scenario. A full-blown invasion. Unfortunately, the deterrence from the West was meaningless. I think that Ukraine has very little options now. They can't directly fight the world's second-best military. They can go into full insurgent mode or sue for peace on bad terms.

Q: With Russian forces having invaded Ukraine by land, air and sea in the biggest attack by one state against another in Europe since World War Two, do you see this turning into a World War Three?

A: Honestly, I think the risk is high. Many in Ukraine and Europe did not believe this was possible as Putin has always been a rational albeit determined leader. What we see now is a leader who is unhinged and angry. He is equally angry with NATO (North Atlantic Treaty Organisation). I believe there is a high probability in the next year or so he will challenge NATO directly.

Q: Do you think that a war could help U.S. to fight inflation?

A: I assume inflation will get worse now. Energy prices will soar, and Russian energy will have to be sanctioned. I can't see how a war will ease inflation.

Q: Do you think China will support Russia in case of a prolonged and expanded war? Will they also use this as an excuse to annex Taiwan?

A: China has tried to stay neutral on this issue. Some comments in support of Ukraine at Munich and some in support of Russia yesterday. I do know that China is not happy with Russia for this move and is equally not happy that Russia intervened in Kazakhstan. I do think China is reserved in its criticisms of Russia because it has ambitions with Taiwan. They will need Russian support for that. China views any change in borders or attack on sovereignty as a negative. Taiwan, they feel is China. If Russia can slice off a piece or more of Ukraine, then why can't the U.S. recognize Taiwan.

I also think that although some in Washington will say this is a huge defeat for the Biden administration - I think that Biden has unified the EU with the U.S. like never before and this will be a turning point. However, this means that the U.S will have to be prepared to deploy significant military forces to Eastern Europe.





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Q: Why do you think Ukraine and Europe believed that this was not possible? Why are the West still discussing sanctions, when it's evident Putin is not even taking them seriously anymore?

A: Let's answer sanctions. Putin may not be rational and indifferent, but let's be clear, the sanctions matter, and the Russian economy will lose hundreds of billions over a few years.

As for why they thought this was not likely - because Putin has never embarked on such a large adventure before and it's not clear what he will achieve in the long run. Yes, he can crush Ukraine militarily and then what, 75% of Ukraine will resist and be hostile to Russia. Also, Ukraine wasn't getting into NATO for decades and posed no threat to Russia.

I think we now understand that Putin is not a rational actor. If he can go to Kyiv, why not Estonia.

Q: Do you see a Ukraine default on the cards?

A: Default - too early to say. If the fighting stops in a day or so, Ukraine has over \$30 billion in reserves and can sustain a downturn much longer than in 2014. But if this lasts a few weeks, then a default is inevitable.

Q: The latest updates seem to indicate that the Russian army is marching towards Kyiv. Based on your interaction with Ukraine President Volodymyr Zelensky, do you expect them to put up a stronghold in the city?

A: I think they will fight if they come to the city. Urban warfare will be bloody. However, I think there is a chance that Russia will simply surround and cut off Kyiv while not entering the city itself.

Q: What made Putin escalate the situation at this time? What do you see as the reasoning behind the timing of the invasion?

A: I think there is no reason that's why it's so outlandish. There are reports Putin has Parkinson's (disease). I can't confirm them. Maybe he thought he needs to deal with this now. But again, he has brought NATO into this as well and although neutralising Ukraine is important for him, I do believe destabilizing NATO is what he really wants.

Q: What more do you expect to be coming through in terms of sanctions?

A: I think at this point the worst sanction package is warranted as he has attacked Kyiv- means energy, SWIFT, etc. If that doesn't happen then the U.S. and EU will look weak, and Putin will literally laugh his way to the bank with higher energy costs.

One final word - if he isn't stopped hard now, we will have a nuclear showdown very soon. He won't stop and he has said so.

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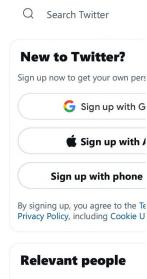
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